

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012

Exhibit B-1

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3).....	\$ 1,905,386	\$ 671,226	\$ 407,788	\$ 641,293	\$ 3,625,693
Investments (Note 3).....	5,329	—	—	202,588	207,917
Securities lending collateral (Note 3).....	366,383	70,444	43,906	71,262	551,995
Receivables, net: (Note 4)					
Taxes receivable.....	1,757,395	138,273	44,728	2,151	1,942,547
Accounts receivable.....	240,470	20,789	82	16,216	277,557
Intergovernmental receivable.....	796,334	39,165	143	5,546	841,188
Interest receivable.....	4,156	396	185	389	5,126
Other receivables.....	—	2,977	—	—	2,977
Due from other funds (Note 10).....	12,660	—	—	6,276	18,936
Due from component units (Note 19).....	—	—	—	4,703	4,703
Inventories.....	80,054	92,611	—	33,792	206,457
Advances to other funds (Note 10).....	—	—	22,746	—	22,746
Advances to component units.....	—	2,929	—	21,742	24,671
Notes receivable, net (Note 4).....	62,760	913	66	40,430	104,169
Securities held in trust.....	430	4,286	—	45,829	50,545
Restricted/designated cash and cash equivalents (Note 3).....	156,396	—	—	187,354	343,750
Restricted investments (Note 3).....	—	88,411	—	473,593	562,004
Total Assets.....	\$ 5,387,753	\$ 1,132,420	\$ 519,644	\$ 1,753,164	\$ 8,792,981
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities:					
Accounts payable.....	\$ 194,324	\$ 243,776	\$ 35,578	\$ 34,353	\$ 508,031
Accrued payroll.....	3,533	38,733	—	233	42,499
Intergovernmental payable.....	742,720	93,512	53,302	4,505	894,039
Claims payable.....	—	—	—	41,335	41,335
Medical claims payable.....	778,120	—	—	—	778,120
Tax refunds payable.....	1,358,707	4,553	1,517	—	1,364,777
Obligations under securities lending.....	380,999	72,986	46,768	73,480	574,233
Due to fiduciary funds (Note 10).....	79,870	—	—	—	79,870
Due to other funds (Note 10).....	21,853	4,110	—	2,851	28,814
Due to component units (Note 19).....	193,144	1,559	—	47,792	242,495
Deferred revenue.....	589,359	23,892	750	36,728	650,729
Deposits payable.....	3,465	—	—	7	3,472
Funds held for others.....	19,211	20,226	—	45,935	85,372
Total Liabilities.....	4,365,305	503,347	137,915	287,219	5,293,786
Fund Balances (Note 11):					
Nonspendable.....	80,054	92,611	—	127,404	300,069
Restricted.....	115,688	82,212	—	771,141	969,041
Committed.....	889,009	454,250	381,729	568,215	2,293,203
Assigned.....	—	—	—	496	496
Unassigned.....	(62,303)	—	—	(1,311)	(63,614)
Total Fund Balances.....	1,022,448	629,073	381,729	1,465,945	3,499,195
Total Liabilities and Fund Balances.....	\$ 5,387,753	\$ 1,132,420	\$ 519,644	\$ 1,753,164	\$ 8,792,981

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2012

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) \$ 3,499,195

Amounts reported for governmental activities in the Statement of Net Assets are different because:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 5). These consist of:		
Cost of capital assets (excluding internal service funds).....	\$ 41,535,743	
Less: Accumulated depreciation (excluding internal service funds).....	(590,500)	
Net capital assets.....		40,945,243
- Some assets , such as receivables, are not available soon enough to pay for current period expenditures and thus, are offset by deferred revenue in the governmental funds.		263,697
Investment derivatives are not financial resources and, therefore, are not reported in the funds (see Note 7).		23,934
- Pension assets , resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds (see Note 12).		3,732
- Long-term debt instruments , such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 8). Also, unamortized debt premiums, discounts, and losses on refundings are reported in the Statement of Net Assets but are not reported in the funds. These balances consist of:		
General obligation bonds payable.....	(4,470,500)	
Lease-purchase revenue bonds payable.....	(30,915)	
Certificates of participation payable.....	(557,895)	
Limited obligation bonds payable.....	(1,795,090)	
GARVEE bonds payable.....	(512,085)	
Unamortized debt premiums (to be amortized as interest expense).....	(485,615)	
Less: Unamortized loss on refunding (to be amortized as interest expense).....	141,108	
Notes payable.....	(35,691)	
Capital leases payable (excluding internal service funds).....	(20,025)	
Net long-term debt.....		(7,766,708)
- Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Notes 7 or 8 as applicable) consist of:		
Accrued interest payable.....	(77,813)	
Compensated absences (excluding internal service funds).....	(403,432)	
Obligations for workers' compensation.....	(136,732)	
Deferred death benefit payable.....	(510)	
Pollution remediation payable.....	(6,485)	
Court judgment payable.....	(731,703)	
Negative investment derivatives.....	(149,050)	
Net pension obligation.....	(2,766)	
Total other liabilities.....		(1,508,491)
- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets (see Exhibit B-3).		218,013

Total net assets - governmental activities (see Exhibit A-1) \$ 35,678,615

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Individual income tax.....	\$ 10,457,217	\$ —	\$ —	\$ 2,090	\$ 10,459,307
Corporate income tax.....	1,194,865	—	—	—	1,194,865
Sales and use tax.....	5,516,304	—	—	8,549	5,524,853
Gasoline tax.....	—	1,393,562	464,855	27,667	1,886,084
Franchise tax.....	797,596	—	—	—	797,596
Highway use tax.....	—	—	506,211	—	506,211
Insurance tax.....	463,574	—	—	16,181	479,755
Beverage tax.....	322,194	—	—	—	322,194
Inheritance tax.....	58,238	—	—	—	58,238
Tobacco products tax.....	293,286	—	—	—	293,286
Other taxes.....	152,525	—	—	142,031	294,556
Federal funds.....	14,433,383	1,088,392	—	104,921	15,626,696
Local funds.....	164,679	16,857	1,013	5,856	188,405
Investment earnings.....	15,957	5,388	539	28,728	50,612
Interest earnings on loans.....	2,445	36	—	866	3,347
Sales and services.....	137,619	2,417	—	152,669	292,705
Rental and lease of property.....	10,433	10,668	2,461	3,012	26,574
Fees, licenses, and fines.....	690,553	570,902	92,350	194,168	1,547,973
Tobacco settlement.....	140,979	—	—	—	140,979
Contributions, gifts, and grants.....	20,452	5,326	306	39,863	65,947
Funds escheated.....	—	—	—	68,207	68,207
Federal recovery funds.....	421,815	135,769	—	100,986	658,570
Miscellaneous.....	119,355	10,399	1,091	15,098	145,943
Total revenues.....	<u>35,413,469</u>	<u>3,239,716</u>	<u>1,068,826</u>	<u>910,892</u>	<u>40,632,903</u>
Expenditures:					
Current:					
General government.....	854,904	—	—	46,750	901,654
Primary and secondary education.....	9,738,102	—	—	—	9,738,102
Higher education.....	3,731,250	—	—	506,399	4,237,649
Health and human services.....	17,772,020	—	—	82,973	17,854,993
Economic development.....	559,645	—	—	107,412	667,057
Environment and natural resources.....	221,495	—	—	208,387	429,882
Public safety, corrections, and regulation.....	2,697,700	—	—	240,042	2,937,742
Transportation.....	—	3,112,123	689,067	6	3,801,196
Agriculture.....	166,998	—	—	14,389	181,387
Capital outlay.....	—	—	—	231,688	231,688
Debt service:					
Principal retirement.....	412,144	40,535	56,569	4,947	514,195
Interest and fees.....	303,937	19,082	22,789	732	346,540
Debt issuance costs.....	2,130	367	57	4,520	7,074
Total expenditures.....	<u>36,460,325</u>	<u>3,172,107</u>	<u>768,482</u>	<u>1,448,245</u>	<u>41,849,159</u>
Excess revenues over (under) expenditures.....	<u>(1,046,856)</u>	<u>67,609</u>	<u>300,344</u>	<u>(537,353)</u>	<u>(1,216,256)</u>
Other Financing Sources (Uses):					
Special indebtedness issued.....	—	—	—	400,000	400,000
GARVEE bonds issued.....	—	179,540	—	—	179,540
Refunding bonds issued.....	367,350	—	—	—	367,350
Other debt issued.....	15,825	—	—	—	15,825
Premium on debt issued.....	63,719	25,374	—	42,799	131,892
Payment to refunded bond escrow agent.....	(428,830)	—	—	—	(428,830)
Sale of capital assets.....	5,170	5,910	1,536	273	12,889
Insurance recoveries.....	10,308	5,952	—	184	16,444
Transfers in (Note 10).....	962,639	42,880	—	109,898	1,115,417
Transfers out (Note 10).....	(109,982)	(270,859)	(182,312)	(151,849)	(715,002)
Total other financing sources (uses).....	<u>886,199</u>	<u>(11,203)</u>	<u>(180,776)</u>	<u>401,305</u>	<u>1,095,525</u>
Net change in fund balances.....	<u>(160,657)</u>	<u>56,406</u>	<u>119,568</u>	<u>(136,048)</u>	<u>(120,731)</u>
Fund balances — July 1, as restated (Note 24).....	1,183,105	572,667	262,161	1,601,993	3,619,926
Fund balances — June 30.....	<u>\$ 1,022,448</u>	<u>\$ 629,073</u>	<u>\$ 381,729</u>	<u>\$ 1,465,945</u>	<u>\$ 3,499,195</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2012

Exhibit B-2a

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2) \$ (120,731)

Amounts reported for governmental activities in the Statement of Activities are different because:

- Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays (including construction-in-progress)	\$ 2,434,793	
Less: Depreciation expense (excluding internal service funds)	(722,807)	
Net capital outlay adjustment		1,711,986
- Proceeds from the sale of capital assets increase financial resources in the funds, whereas in the Statement of Activities only the gain or loss on the sale is reported. This adjustment reduces the proceeds by the book value of the capital assets sold.		
		(52,162)
- Donations of capital assets do not appear in the governmental funds because they are not financial resources, but increase net assets in the Statement of Activities.		
		1,521
- Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of:		
Debt issued or incurred:		
Bonds and similar debt issued	(595,365)	
Refunding bonds issued	(367,350)	
Premiums on debt issued	(131,892)	
Principal repayments:		
Bonds, notes, and similar debt	512,943	
Capital leases (excluding internal service funds)	1,252	
Payments to escrow agent for refundings	428,830	
Net debt adjustments		(151,582)
- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		
		49,799
Changes in fair value of investment derivatives are not current financial resources in governmental funds but are recognized in the Statement of Activities		
		(72,915)
- Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in the funds. Also, some payments related to prior periods are recognized in the funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Accrued interest	8,501	
Compensated absences (excluding internal service funds)	2,882	
Workers' compensation	(24,045)	
Deferred death benefit	(140)	
Net pension obligation	921	
Pollution remediation	379	
Amortization of deferred amounts	55,597	
Net expense accruals		44,095
- Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of internal service funds are included with governmental activities in the Statement of Activities (see Exhibit B-4).		
		(7,741)

Change in net assets - governmental activities (see Exhibit A-2)

\$ 1,402,270

The accompanying Notes to the Financial Statements are an integral part of this statement.